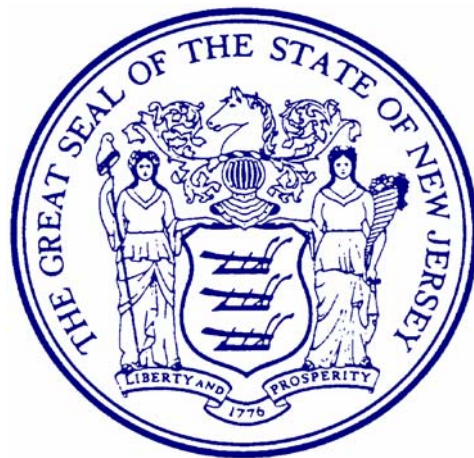


**RESORTS INTERNATIONAL HOTEL, INC.
QUARTERLY REPORT**

FOR THE QUARTER ENDED September 30, 2006

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

RESORTS INTERNATIONAL HOTEL, INC.

BALANCE SHEETS

AS OF September 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$18,934	\$24,622
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$1,763; 2005, \$1,425).....	2	9,067	8,414
4	Inventories		2,509	2,357
5	Other Current Assets.....	3	8,033	8,156
6	Total Current Assets.....		38,543	43,549
7	Investments, Advances, and Receivables.....	4	12,118	11,459
8	Property and Equipment - Gross.....		317,841	306,641
9	Less: Accumulated Depreciation and Amortization.....		(67,551)	(49,780)
10	Property and Equipment - Net.....		250,290	256,861
11	Other Assets.....		3,486	5,158
12	Total Assets.....		\$304,437	\$317,027
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$15,894	\$7,844
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		15,539	3,326
17	Income Taxes Payable and Accrued.....		393	0
18	Other Accrued Expenses.....	5	21,556	16,837
19	Other Current Liabilities.....	6	5,517	6,586
20	Total Current Liabilities.....		58,899	34,593
	Long-Term Debt:			
21	Due to Affiliates.....	7	178,138	177,519
22	External.....	7	12,247	18,990
23	Deferred Credits		0	6,011
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....	10	0	0
26	Total Liabilities.....		249,284	237,113
27	Stockholders', Partners', or Proprietor's Equity.....		55,153	79,914
28	Total Liabilities and Equity.....		\$304,437	\$317,027

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED September 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$211,548	\$204,321
2	Rooms.....		16,166	17,479
3	Food and Beverage.....		24,496	18,175
4	Other.....		4,896	4,655
5	Total Revenue.....		257,106	244,630
6	Less: Promotional Allowances.....		65,894	56,252
7	Net Revenue.....		191,212	188,378
	Costs and Expenses:			
8	Cost of Goods and Services.....		132,244	126,970
9	Selling, General, and Administrative.....		37,781	29,593
10	Provision for Doubtful Accounts.....		634	358
11	Total Costs and Expenses.....		170,659	156,921
12	Gross Operating Profit.....		20,553	31,457
13	Depreciation and Amortization.....		15,377	15,989
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		5,176	15,468
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	8	(15,994)	(15,941)
18	Interest Expense - External.....		(2,706)	(1,124)
19	CRDA Related Income (Expense) - Net.....		(889)	(697)
20	Nonoperating Income (Expense) - Net.....		611	481
21	Total Other Income (Expenses).....		(18,978)	(17,281)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(13,802)	(1,813)
23	Provision (Credit) for Income Taxes.....		2,832	414
24	Income (Loss) Before Extraordinary Items.....		(16,634)	(2,227)
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....		0	0
26	Net Income (Loss).....		(\$16,634)	(\$2,227)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED September 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$77,669	\$75,774
2	Rooms.....		5,686	7,084
3	Food and Beverage.....		9,308	7,369
4	Other.....		2,003	2,177
5	Total Revenue.....		94,666	92,404
6	Less: Promotional Allowances.....		25,392	23,019
7	Net Revenue.....		69,274	69,385
	Costs and Expenses:			
8	Cost of Goods and Services.....		46,083	46,083
9	Selling, General, and Administrative.....		12,464	10,566
10	Provision for Doubtful Accounts.....		340	250
11	Total Costs and Expenses.....		58,887	56,899
12	Gross Operating Profit.....		10,387	12,486
13	Depreciation and Amortization.....		5,002	6,284
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		5,385	6,202
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(5,335)	(5,316)
18	Interest Expense - External.....		(1,046)	(365)
19	CRDA Related Income (Expense) - Net.....		(392)	(296)
20	Nonoperating Income (Expense) - Net.....		246	179
21	Total Other Income (Expenses).....		(6,527)	(5,798)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(1,142)	404
23	Provision (Credit) for Income Taxes.....		2,657	621
24	Income (Loss) Before Extraordinary Items.....		(3,799)	(217)
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0 ; 2005, \$0).....		0	0
26	Net Income (Loss).....		(\$3,799)	(\$217)

* Restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2004.....		100	\$0			\$77,673		\$4,468	\$82,141
2	Net Income (Loss) - 2005.....								(10,354)	(10,354)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2005.....		100	0	0	0	77,673	0	(5,886)	71,787
11	Net Income (Loss) - 2006.....								(16,634)	(16,634)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, June 30, 2006		100	\$0	0	\$0	\$77,673	\$0	(\$22,520)	\$55,153

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED September 30, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$2,543)	\$10,914
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....		(8,002)	(14,397)
5	Proceeds from Disposition of Property and Equipment.....		96	28
6	CRDA Obligations		(2,494)	(2,328)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	CRDA Reimbursement		0	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(10,400)	(16,697)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		9,796	5,000
14	Payments to Settle Short-Term Debt.....		(4,182)	(5,000)
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....		932	(92)
17	Payments to Settle Long-Term Debt.....		0	(1,462)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		6,546	(1,554)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(6,397)	(7,337)
25	Cash and Cash Equivalents at Beginning of Period.....		25,331	31,959
26	Cash and Cash Equivalents at End of Period.....		\$18,934	\$24,622
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$22,136	\$21,814
28	Income Taxes.....		\$943	(\$391)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED September 30, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$16,634)	(\$2,227)
30	Depreciation and Amortization of Property and Equipment.....		14,325	13,771
31	Amortization of Other Assets.....		1,052	2,218
32	Amortization of Debt Discount or Premium.....		469	416
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	(572)
35	(Gain) Loss on Disposition of Property and Equipment.....		(13)	(28)
36	(Gain) Loss on CRDA-Related Obligations.....		889	697
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		577	(2,883)
39	(Increase) Decrease in Inventories		(42)	(25)
40	(Increase) Decrease in Other Current Assets.....		(5,284)	1,175
41	(Increase) Decrease in Other Assets.....		2,412	861
42	Increase (Decrease) in Accounts Payable.....		7,884	(3,112)
43	Increase (Decrease) in Other Current Liabilities		(8,178)	623
44	Increase (Decrease) in Other Liabilities		0	0
45		0	0
46			
47	Net Cash Provided (Used) By Operating Activities.....		(\$2,543)	\$10,914

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$8,002)	(\$14,397)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$8,002)	(\$14,397)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS INTERNATIONAL HOTEL, INC.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED September 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	166,129	\$12,232	315	\$53
2	Food	1,102,110	11,368	89,135	1,653
3	Beverage	1,960,454	6,417	0	0
4	Travel	0	0	22,777	2,200
5	Bus Program Cash	370,551	6,505	0	0
6	Other Cash Complimentaries	1,155,661	27,523	0	0
7	Entertainment	61,974	1,702	2,823	353
8	Retail & Non-Cash Gifts	3,975	60	52,810	6,073
9	Parking	0	0	0	0
10	Other	5,845	87	152,481	3,358
11	Total	4,826,699	\$65,894	320,341	\$13,690

* Included in Other Promotional Expenses for the nine months ended September 30, 2006 is direct marketing postage in the amount of \$1,978. No other single item or service included in other exceeds 5% of the column total.

FOR THE THREE MONTHS ENDED September 30, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	69,077	\$4,692	120	\$20
2	Food	678,236	4,345	27,149	723
3	Beverage	617,636	2,279	0	0
4	Travel	0	0	9,379	773
5	Bus Program Cash	166,080	2,852	0	0
6	Other Cash Complimentaries	491,628	10,108	0	0
7	Entertainment	43,705	1,066	1,107	139
8	Retail & Non-Cash Gifts	1,504	23	20,212	2,324
9	Parking	0	0	0	0
10	Other	2,042	27	78,496	1,730
11	Total	2,069,908	\$25,392	136,463	\$5,709

* Included in Other Promotional Expenses for the three months ended September 30, 2006 is direct marketing postage in the amount of \$939. No other single item or service included in other exceeds 5% of the column total.

RESORTS INTERNATIONAL HOTEL, INC. STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED September 30, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

11/15/2006

Date



Lawrence J. McCabe

Director - Finance

Title

3392-11

License Number

On Behalf of:

RESORTS INTERNATIONAL HOTEL, INC.

Casino Licensee

RESORTS INTERNATIONAL HOTEL INC.
NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

Colony RIH Holdings, Inc., a Delaware corporation ("CRH"), owns 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc., also a Delaware corporation ("RIHC"). CRH also owns 100% of the common stock of Resorts Real Estate Holdings, Inc. ("RREH"), a New Jersey corporation formed on April 1, 2003 to acquire certain land subject to an option agreement ("Option Agreement") between Kerzner International North America, Inc. ("KINA") and RIHC. RIHC, through its wholly-owned subsidiary, Resorts International Hotel, Inc., a New Jersey corporation ("RIH" or the "Company"), owns and operates Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ.

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of 11½% first mortgage notes (the "First Mortgage Notes") (see Note 7, "Long-Term Debt"). Concurrent with the sale of the First Mortgage Notes, CRH issued class A common stock and class B common stock to its existing shareholders for a total price of approximately \$35.0 million. The proceeds from the sale of the First Mortgage Notes and issuance of stock were used to retire existing debt and to finance the cost to develop, construct and equip a new hotel tower (the "Hotel Expansion Project").

At September 30, 2006, RIHC had a restricted cash balance of \$51,000, which is included in other assets on the accompanying balance sheet. The restricted cash consists of the unexpended portion of the proceeds of an asset sale, as required by the Indenture.

Absent the amendments to the Commerce Facility and the CIT Facility, the Company would not have been in compliance with financial covenants contained in its CIT Facility and Commerce Facility as of December 31, 2005. Management has also renegotiated the financial covenants with CIT and Commerce for periods subsequent to December 31, 2005. The Commerce Facility expires on November 30, 2006. The Company had a working capital deficit of \$21.1 million at September 30, 2006. The Company continues to explore a number of alternatives, including refinancing and/or restructuring some or all long-term debt. However, there can be no assurances that the Company will be successful in this regard.

During the summer of 2006 the Company implemented a new customer loyalty program, Destination Club, which offers incentives to customers who gamble at Resorts and its affiliated casinos. Under the program, customers are able to accumulate, or bank, tier points over time that they may redeem at their discretion under the terms of the program. The tier points balance will be forfeited if the customer does not redeem them over an eight-month period from the time they were first earned. As a result of the ability of the customer to bank the tier points, we accrue the expense of the tier points, after consideration of estimated breakage, as they are earned. The estimated cost to provide tier points is expensed as the tier points are earned and is included in casino expense on our Consolidated Statements of Operations. To arrive at the estimated cost associated with tier points, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which tier points will be redeemed. We use historical data to assist in the determination of estimated accruals. At September 30, 2006, \$500,000 was accrued for the cost of anticipated Destination Club tier point redemptions.

In July 2006, due to a budget impasse in the New Jersey legislature, the governor of the State of New Jersey ordered a shutdown of non-essential state services, which included regulatory inspection of the Atlantic City casino industry. This mandatory shutdown resulted in the closing of casino operations for all Atlantic City casinos from July 5th through July 7th. The three day shutdown of casino operations had a negative impact on the Company's revenues and results of operations for the third quarter.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the "Commission") for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principles for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the three months and nine months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the final close of the year ended December 31, 2006.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH's Quarterly Report for the quarter ended December 31, 2005, as filed with the Commission.

2. Receivables

Components of receivables were as follows at September 30 (in thousands):

	2006	2005
Gaming	\$ 8,551	\$ 6,181
Less: allowance for doubtful accounts	(1,737)	(1,398)
	<u>6,814</u>	<u>4,783</u>
Non-gaming:		
Hotel and related	586	494
Due from affiliates	-	1,505
Other	1,693	1,659
	<u>2,279</u>	<u>3,658</u>
Less: allowance for doubtful accounts	(26)	(27)
	<u>2,253</u>	<u>3,631</u>
Receivables, net	<u>\$ 9,067</u>	<u>\$ 8,414</u>

3. Prepaid Expenses and Other Current Assets

Components of prepaid expenses and other current assets were as follows at September 30 (in thousands):

	2006	2005
Prepaid expenses	\$ 8,033	\$ 3,236
Current portion deferred income taxes	-	4,804
Income tax receivable	-	90
Other	-	26
	<u>\$ 8,033</u>	<u>\$ 8,156</u>

4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at September 30 (in thousands):

	2006	2005
CRDA bonds and direct investments	\$ 11,143	\$ 10,539
CRDA deposits	10,860	9,928
Valuation allowance	(9,885)	(9,008)
	<u>\$ 12,118</u>	<u>\$ 11,459</u>

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the nine months ended September 30, 2006 and 2005 for discounts on obligations were \$889,000 and \$697,000 respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. The majority of the Company's deposits have been pledged for specific projects.

5. Other Accrued Expenses

Components of other accrued expenses were as follows at September 30 (in thousands):

	2006	2005
Insurance and related costs	\$ 773	\$ 1,605
Payroll and related liabilities	10,604	8,174
Gaming taxes and fees	3,379	1,810
Construction retainage payable.....	2,783	1,151
Other	4,017	4,097
	<u>\$ 21,556</u>	<u>\$ 16,837</u>

6. Other Current Liabilities

Components of other current liabilities were as follows at September 30 (in thousands):

	2006	2005
Interest Payable.....	\$ 1,009	\$ 874
Payable to affiliates.....	1,150	2,517
Other	3,358	3,195
	<u>\$ 5,517</u>	<u>\$ 6,586</u>

7. Long-Term Debt

Due to Affiliates

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of First Mortgage Notes at a price of 97.686% yielding \$175.8 million. Interest on the First Mortgage Notes is payable on March 15 and September 15 of each year, and the First Mortgage Notes are due in full on March 15, 2009. In conjunction with the issuance of the First Mortgage Notes, RIHC issued a note to RIH with terms that mirror those of the First Mortgage Notes.

The First Mortgage Notes contain certain covenants that, among other things, limit RIHC's ability and the ability of its subsidiaries to pay dividends on, redeem or repurchase its or their capital stock, make investments, incur additional indebtedness, permit payment of or restrict dividends by certain of its subsidiaries, enter into sale leaseback transactions, sell assets, guarantee indebtedness, create certain liens, engage in transactions with affiliates, and consolidate, merge or transfer all or substantially all its assets and the assets of its subsidiaries on a consolidated basis.

In connection with the construction of the Hotel Expansion Project, the Company capitalized interest of \$4.1 million during the six months ended June 30, 2004. The Company ceased capitalization of interest during the second quarter of 2004, as the Hotel Expansion Project was ready for its intended use.

Other

Other long-term debt is summarized as follows at September 30 (in thousands):

	2006	2005
Thermal Agreement	\$ 5,769	\$ 6,110
CIT Facility.....	12,221	15,956
Other	9,796	250
	<u>27,786</u>	<u>22,316</u>
Less: current portion	<u>15,539</u>	<u>3,326</u>
	<u>\$ 12,247</u>	<u>\$ 18,990</u>

In June 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$5.8 million at September 30, 2006.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc (“CIT Facility”). As amended in September 2006, the CIT Facility permits RIH to re-borrow principal amounts repaid following the date of the amendment, up to a limit of \$5.0 million in new borrowings, for the purchase of machinery, furniture, or equipment. The outstanding balance under the CIT Facility at September 30, 2006 was \$12.2 million. The loans pursuant to the CIT Facility are repayable in equal monthly installments of \$455,899, plus applicable interest, through September 2007. Beginning in October 2007 all loans under the CIT Facility will be combined and payable over a seventeen month amortization period. The outstanding loans associated with the CIT Facility bear interest at the rate of LIBOR plus the applicable margin (as defined) which can range from 4.75% to 8.00% based upon operating results. As of September 30, 2006, the interest rate on the CIT Facility was 11.26% per annum. RIH is required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. The CIT Facility contains a minimum liquidity covenant and a total indebtedness covenant as defined in the CIT Facility.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A (“Commerce Facility”). The Commerce Facility agreement was amended in June 2006 to provide for working capital borrowings and letters of credit in an aggregate amount of up to \$15.0 million, with the letter of credit portion of the Commerce Facility not to exceed \$7.5 million and working capital borrowings not to exceed \$10.0 million. The Commerce Facility was amended again in October 2006 to provide for an extension of the expiration date until November 30, 2006 and a suspension of financial covenants for the periods ended September 30, 2006. The amended Commerce Facility also provides that any further advances require the specific approval of Commerce Bank following receipt of information regarding the purpose and nature of the proposed borrowing. As of September 30, 2006 there were \$5.2 million of standby letters of credit issued against the Commerce Facility and borrowings having an aggregate outstanding balance of \$9.8 million. At September 30, 2006, the remaining availability of the letter of credit portion of the Commerce Facility was \$2.3 million and the remaining availability on the borrowing portion was \$0.2 million, including the unused letter of credit portion.

During 2004, RREH purchased from Kerzner International North America, Inc. (“KINA”) approximately 8.0 acres of land adjacent to and nearby the Resorts site. The land was acquired in exchange for the issuance of a \$40 million note by RREH to KINA. This \$40 million note will mature immediately following the maturity, acceleration or refinancing (other than permitted refinancing) of the First Mortgage Notes which are due March 15, 2009. Interest on the \$40 million note is payable semi-annually, and is calculated at the following annual rates: 0% through September 2005, 4% from October 2005 through March 2006, 6% from April 2006 through March 2008, and 9% from April 2008 through March 2009. The note payable to KINA is guaranteed by CRH, RIHC and RIH, provided, however that the guarantee of RIHC and RIH does not become effective until either the First Mortgage Notes have been paid in full or the fixed charge coverage ratio of RIHC is at least 2.0 to 1.0. In addition, the amount guaranteed is initially limited to \$20 million increasing by \$5 million each year. The KINA Note contains cross-default provisions whereby the acceleration of the scheduled maturity of the First Mortgage Notes constitutes an event of default under the KINA Note.

8. Related Party Transactions

RIH recorded the following expenses from affiliates for the nine months ended September 30 (in thousands):

	2006	2005
Interest and amortization of discounts on First Mortgage Notes.....	\$ 15,994	\$ 15,941
Less: capitalized interest	-	-
	<u>\$ 15,994</u>	<u>\$ 15,941</u>

9. Income Taxes

The provision for income taxes for the three and nine months ended September 30, 2006 is different than the amount computed at the United States statutory rate due to certain non-deductible items and state income taxes, which are calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state’s fiscal years 2005 through 2006. This tax expired June 30, 2006, the state’s fiscal year-end. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$175,000 and \$350,000 for the years 2006 and 2005, respectively. In connection with this tax, the Company recorded provisions for income taxes of \$175,000 and \$263,000, respectively, for the nine month periods ended September 30, 2006 and 2005.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, requires the suspension of the use of the New Jersey net operating loss carry forwards through 2006 and the introduction of a new alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. Based on the results of operations, management has determined that it is more likely than not that the Company will not realize the economic benefit of the deferred tax assets associated with the NJAMA. Consequently, the Company recorded a provision for income taxes of \$2.7 million for the three and nine month periods ended September 30, 2006, for adjustments to valuation allowances on deferred tax assets which is comprised of \$767,000 that arose in the current year and \$1.9 million that arose in prior years associated with the NJAMA. As of September 30, 2006 all deferred tax assets, including those associated with the NJAMA were fully reserved. The Tax Act was retroactive to January 1, 2002 and expires at December 31, 2006.

10. Commitments and Contingencies

Litigation

The Company is a defendant in certain litigation. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

New Jersey Sports & Exposition Authority

The twelve Atlantic City casino properties (the "AC Industry") and the Casino Reinvestment and Development Authority ("CRDA") have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four-year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair share of AC Industry casino revenues. The Company estimates this commitment over the four-year period to be approximately \$4.8 million, the first payment of which was made in November 2004. The total estimated commitment will be charged to operations on a straight-line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until December 31, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.